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INFO RUEHAD/AMEMBASSY ABU DHABI PRIORITY 0806
RUEHAS/AMEMBASSY ALGIERS PRIORITY 7328
RUEHLO/AMEMBASSY LONDON PRIORITY 1202
RUEHNK/AMEMBASSY NOUAKCHOTT PRIORITY 0794
RUEHFR/AMEMBASSY PARIS PRIORITY 1655
RUEHRB/AMEMBASSY RABAT PRIORITY 8246
RUEHTRO/AMEMBASSY TRIPOLI PRIORITY 0418
RUEHCL/AMCONSUL CASABLANCA PRIORITY 4008
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C O N F I D E N T I A L SECTION 01 OF 02 TUNIS 002684

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STATE FOR NEA/MAG (HARRIS)
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CASABLANCA FOR FCS (ORTIZ)
LONDON AND PARIS FOR NEA WATCHER

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TAGS: ECON EFIN TS

SUBJECT: TUNISIANS FEEL PINCH OF HIGH PRICES THIS RAMADAN

REF: 05 TUNIS 2409

Classified By: CDA David Ballard for Reasons 1.4 b and d.

¶1. (SBU) Summary: Ramadan spending combined with rising inflation hit many Tunisians in the pocket book this year. While the GOT attempted to put its best foot forward by keeping prices low and stepping up enforcement of price controls, these measures did little to address rising inflation and continued high unemployment. Instead, the GOT has aggressively disputed the notion that Tunisians may have difficulty making ends meet, viewing any discussion of poverty as a blemish on the country's image as a developmental success story. End Summary.

¶2. (U) Even though Ramadan is a month of fasting, it is traditionally a period of increased consumption, with Tunisian families preparing elaborate iftar meals to break the daily fast and purchasing clothes and other gifts to celebrate the end of Ramadan during the Eid holiday. This year, the start of Ramadan came on the heels of the September 15 start of the school year, creating a continuous period of spending that put a dent in many Tunisians' bank accounts. A cartoon in Arabic daily Ash-Sharouq shows a featherless chicken that has been plucked bare by three hands representing the start of the school year, Ramadan, and Eid. Many Tunisians complained to Econoff that they had no time to recover from the large purchases of school supplies and new clothes before starting the second round of spending expected during Ramadan. According to the Ministry of Commerce, consumption during Ramadan typically rises an estimated 30 percent, with particularly pronounced increases for food products such as canned tuna (200 percent) and bread (150 percent). One local paper reported that the Bir El Kassaa wholesale market, which supplies local markets in the greater Tunis area, distributed more than 82 thousand tons of agricultural products, 33 thousand tons of fish, and 52 million eggs this Ramadan.

¶3. (U) While increased spending and resultant higher prices during Ramadan are not out of the ordinary, Tunisians have had to contend with rising inflation throughout this year.

According to the latest Central Bank figures, inflation reached 4.7 percent for the first nine months of 2006, up from 1.6 percent over the same period in 2005. In order to make ends meet, many Tunisians have taken advantage of the increased availability of consumer credit, creating a trend towards greater indebtedness among Tunisian households. Between 2004 and 2005, the national savings rate dropped from 22 to 21.3 percent. According to French daily *Le Temps*, the Central Bank issued a memo to banks in July asking them to limit the extension of credit. Several banking contacts have remarked that the growth in consumer lending has outpaced private sector investment during the past year. In September, the Central Bank raised its rate from 5 to 5.25 percent to curb inflation and restrain credit.

¶4. (U) Every Ramadan the GOT makes a concerted effort to meet increased demand and keep prices low. This year, for example, in order to meet higher demand for food products, the GOT accumulated stocks of products such as eggs, milk, and chicken in advance of Ramadan, which were then released on the market to reduce the tension between supply and demand and thereby keep prices down. According to local press reports, the Tunisian state-owned meat company, Ellouhoum, also resorted to importing meat from Ireland. Ellouhoum reportedly ordered 10 thousand frozen lamb carcasses and 166 metric tons of turkey for the month, and 160 to 180 tons of beef per week. Many food products, such as meat, oil, bread and milk, have fixed prices or fixed profit margins. Despite this, entrepreneurial shopkeepers often attempt to flout the GOT price controls and make some extra money. This year the GOT was particularly active in registering infractions (and then publicizing these efforts) against sellers, with 8,520 infractions registered by October 18 for offenses such as

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raising prices or not marking prices. After the first ten days of Ramadan, the GOT touted its success in registering 2.5 times as many infractions as during the same period in ¶2005.

¶5. (SBU) While the GOT attempted to ease the burden during Ramadan, it has also aggressively disputed the notion that Tunisians may have difficulty making ends meet. During the week of October 11, a group of NGOs, along with the General Union of Tunisian Workers (UGTT), sponsored a week-long series of programs on poverty in Tunisia to coincide with the International Day for the Eradication of Poverty on October ¶17. The groups called on the GOT to eradicate poverty and to help the unemployed find jobs. In a thinly veiled response to the poverty series, Hedi M'henni, Secretary General of the ruling Democratic Constitutional Rally (RCD) party, stated that the rate of poverty in Tunisia has dropped below four percent and emphasized that this refuted "the allegations propagated by a handful of detractors who have no other worries than to place doubt on the success of the country." (Note: The poverty rate is calculated using the standard one dollar per day definition. End Note.) Meanwhile, private television station Hannibal TV canceled a daily Ramadan series entitled "Without An Invitation", during which the host of the show celebrated iftar with average, or even poor, Tunisian families. Some sources at Hannibal TV claim GOT pressure motivated the cancellation, while others point to poor ratings as the cause, despite anecdotal evidence to the contrary. While the show, back for its second year, highlighted the sometimes difficult reality faced by poor Tunisian families, its message was not overtly political. Part of the show's popularity was also due to the game show-like appeal of the host bringing gifts such as satellite dishes and refrigerators.

¶6. (C) Comment: Although the GOT attempted to ease the burden of Ramadan spending for Tunisians, its measures did not address the difficulty created by rising inflation and high unemployment. The GOT's recent actions and statements regarding the week-long series on poverty and the Hannibal television show suggest that poverty has become a taboo

subject. While the GOT has been quick to view any discussion of poverty as a blemish on the country's success, its unwillingness to allow public discussion or examination of the conditions of Tunisia's poor is depressingly familiar to Tunisian and foreign observers who have come to expect GOT panic and over-reaction to anything that might be remotely critical of GOT policies or their results. End Comment.

BALLARD